
Answers

		Marks
1 (a)	Chargeable income computations for the year ended 31 March 2004	
	Business income:	M
	Farming income – Sales of livestock	350,000
	– Sales of maize	400,000
	– Gain on disposal of tractor (W1)	4,714
	– Grazing fees	55,000
	Closing stock of livestock	18,000
		<u>827,714</u>
	Less expenses:	
	Opening stock of livestock (24,000)	1
	Depreciation of tractor (W1) (5,339)	2
	Depreciation of motor vehicle (W2) (17,344)	2
	Purchases of livestock (250,000)	1
	Wages of farm labourers (175,000)	1
	Staff housing costs 0	1
		<u>(471,683)</u>
	Taxable farming income	356,031
	Plantation income – Sale of timber	350,000
	Less: Wages of plantation labourers (60,000)	1
	Depreciation of tractor (W4) (5,833)	1
	Maintenance of plantation (32,000)	1½
	Stumping and preparing ground (33,000)	1½
		<u>(130,833)</u>
	Taxable plantation income	219,167
	Total taxable income:	
	Taxable farming income	356,031
	Taxable plantation income	219,667
	Rentals	44,000
	Interest received	4,000
		<u>623,198</u>
	Tax payable calculation:	
	1st M30,000 at 25%	7,500
	593,198 at 35%	207,619
		<u>215,119</u>
	Less personal tax credit	(2,640)
	Tax payable	<u>212,479</u>

Workings

	M	
(1) Farming tractor	(25%)	
Cost 1/9/02	30,000	
Depreciation allowance 02/03 (7 months)	<u>(4,375)</u>	
T.W.D.V.	25,625	
Depreciation allowance 03/04 (10 months)	<u>(4,339)</u>	
	20,286	
Disposal Proceeds	<u>(25,000)</u>	
Balancing Charge	<u>4,714</u>	
(2) Motor vehicle	(25%)	
Cost 1/5/02	90,000	
Depreciation allowance 02/03 (11 months)	<u>(20,625)</u>	
T.W.D.V.	69,375	
Depreciation allowance 03/04	<u>(17,344)</u>	
T.W.D.V.	<u>52,031</u>	
(3) Staff housing is not an allowable expense.		
(4) Plantation tractor	(25%)	
Cost (1/12/03)	70,000	
Depreciation allowance 03/04 (4 months)	<u>(5,833)</u>	
T.W.D.V.	<u>64,167</u>	
(b) Housing benefit:	M	
Market value of house M9,000 x 12 = M108,000		
Limited to 20% of salary: M40,000 x 12 x 20% = M96,000		
Tax payable is M96,000 x $\frac{35}{65}$	51,692	3
Car benefit:		
M150,000 x 15% = 22,500		
Tax payable is M22,500 x $\frac{35}{65}$	12,115	2
Pension benefits:		
Total contributions limited to 20%		
Maximum employer's contributions thus 12% (20 – 8)		
Excess contributions = 6% x M480,000 = M28,800		
Tax payable is M28,800 x $\frac{35}{65}$	<u>15,508</u>	3
Total fringe benefit tax payable	<u>M79,315</u>	

Marks

2 (a)	Chargeable income/loss calculation for the year ended 31 March 2004		
	Net profit as per accounts	M1,000	1/2
	Add: Interest from South Africa source	5,000	1
	Repairs to residence	2,500	1
	Repairs to plant and machinery	0	1/2
	Stock for personal use	400	1
	Foreign travelling expenses	10,000	1
	Income tax paid	11,500	1
	Provision for bad debts	3,000	1
	Fire loss recovered	5,000	1
	Fire damage	45,000	1
	Subscriptions: to Political Parties	2,000	1
	to Chamber of Commerce	0	1/2
	Transfers to general reserves	40,000	1
	Depreciation	100,000	1
	Other allowable expenses	0	1/2
		<u>224,400</u>	
		225,400	
	Less depreciation allowance	(330,000)	1
		<u>(104,600)</u>	
	Net loss for the year		
	No deductions are required for the following:		
	Lesotho Chamber of Commerce subscriptions		
	Repairs to plant and machinery		
	Other allowable expenses		

- (b) (i)** Yarra (Pty) Limited
Corporation income tax payable – year ended 31 March 2004

		M	
	Manufacturing income at 15%	75,000	1
	Non-manufacturing income at 35%	332,500	1
		<u>407,500</u>	
	Less: ACT paid	M	
	Manufacturing income net of tax payable	425,000	1
	Dividends received	50,000	1
		<u>475,000</u>	
	Dividends paid	600,000	
		<u>125,000</u>	
	Excess		
	ACT at 35/65	67,308	2
		<u>340,192</u>	
	Final liability due on 30 June 2004		1

- (ii)** Instalments due for 2005:
Three instalments of M122,250 (M407,500 at 30%) due on 30 September 2004,
31 December 2004 and 31 March 2005 respectively.

		Marks
3	Depreciation allowance calculation for the years from 1998/1999 to 31 March 2004	
	Motor vehicle (25%)	
	1.10.1998 Cost	M24,000
	Depreciation allowance (6 months)	(3,000)
		1
	1.4.1999 Tax written down value	21,000
	Depreciation allowance	(5,250)
		1
	1.4.2000 Tax written down value	15,750
	Depreciation allowance	(3,938)
		1
	1.4.2001 Tax written down value	11,812
	Depreciation allowance	(2,953)
		1
	1.4.2002 Tax written down value	8,859
	Depreciation allowance (10 months)	(1,846)
		1
	31.1.2003 Tax written down value	7,013
	Disposal proceeds	1,000
		1
	Loss on disposal	(6,013)
		1
	Machine A (20%)	
	1.11.1998 Cost	M96,000
	Depreciation allowance (5 months)	(8,000)
		1
	1.4.1999 Tax written down value	88,000
	Depreciation allowance	(17,600)
		1
	1.4.2000 Tax written down value	70,400
	Depreciation allowance (5 months)	(5,867)
		1
	31.8.2000 Tax written down value	64,533
	Insurance proceeds	100,000
		1
	Gain on disposal	35,467
		1
	Machine B (20%)	
	1.2.1999 Cost	M90,000
	Depreciation allowance (2 months)	(3,000)
		1
	1.4.1999 Tax written down value	87,000
	Depreciation allowance (7 months)	(10,150)
		1
	31.10.1999 Tax written down value	76,850
	Sales proceeds	8,000
		1
	Loss on disposal	(68,850)
		1
	Machine C (20%)	
	1.12.2002 Cost	M139,200
	Depreciation allowance (4 months)	(9,280)
		1
	1.4.2003 Tax written down value	129,920
	Depreciation allowance	(25,984)
		1
	31.3.2004 Tax written down value	103,936
	Sale proceeds	125,000
		1
	Gain on disposal	21,064
		1

			Marks
Factory building (5%)			
1.1.1999 Cost	M1,000,000		
Depreciation allowance (3 months)	(12,500)		1
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1.4.2000 Tax written down value	987,500		
Depreciation allowance	(49,375)		1
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1.4.2001 Tax written down value	938,125		
Depreciation allowance	(46,906)		1
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1.4.2002 Tax written down value	891,219		
Depreciation allowance	(44,561)		1
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1.4.2003 Tax written down value	846,658		
Depreciation allowance	(42,333)		1
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31.3.2004 Tax written down value	804,325		
Sale proceeds	950,000		
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Gain on disposal	145,675		1
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4 (a) (i)			
Chargeable income of the partnership:			
Business income	M50,000		1
Property income:			
Gross interest	5,000		2
Gains on sale of property	40,000		1
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Total chargeable income	95,000		
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(ii)	Calculation of tax payable by partners:		
	Maria	Lillo	
	M	M	
Business income	25,000	25,000	1
Property income	22,500	22,500	1
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Total gross income	47,500	47,500	
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Tax payable:			
1st M30,000 at 25%	7,500	7,500	1
17,500 at 35%	6,125	6,125	1
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Total tax due	13,625	13,625	
Less personal tax credit	(2,640)	(2,640)	1
Withholding tax paid	(250)	(250)	2
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Tax payable	10,735	10,735	
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(b)	The Commissioner of Income Tax may cancel the registration of a vendor who is not required to apply for value added tax registration where the vendor:		
1.	is in breach of the conditions or limitations attaching to the registration;		2
2.	has no fixed place of abode or business;		2
3.	has not kept proper accounting records relating to any enterprise carried on by the vendor;		2
4.	has not submitted regular and reliable value added tax returns as required by law; or		2
5.	is not, in the opinion of the Commissioner, a fit and proper person to be registered.		2
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